

Information Request AG-1-37

Please provide an update to Exhibits NSTAR-BEC-GOL-2 through -4 and NSTAR-COM-GOL-2 through-4 using the Fall 2004 Henwood Energy Service Inc.'s Northeast Electricity and Gas Price Outlook, when it becomes available.

Response

CONFIDENTIAL ATTACHMENTS

On this date, NSTAR Electric is filing an amendment to the Bellingham Execution Agreement that raises the cap on the adjustment level of the Adjusted Bid Price Amount that can result in customer savings of over \$52 million. At the request of the Attorney General, this response provides the requested exhibits with and without the impact of that change. The following exhibits are based on the Fall 2004 Henwood Energy Service Inc.'s Northeast Electricity and Gas Price Outlook and updated actual information for the months of August, September and October (and do not incorporate the changes resulting from the amendment):

Attachment AG-1-37(a)	Exhibit NSTAR-GOL-3
Attachment AG-1-37(b)	Exhibit NSTAR-GOL-4
Attachment AG-1-37(c)	Exhibit NSTAR-BEC-GOL-1
Attachment AG-1-37(d)	Exhibit NSTAR-BEC-GOL-2
Attachment AG-1-37(e) CONFIDENTIAL	Exhibit NSTAR-BEC-GOL-3 CONFIDENTIAL
Attachment AG-1-37(f) CONFIDENTIAL	Exhibit NSTAR-BEC-GOL-4 CONFIDENTIAL
Attachment AG-1-37(g)	Exhibit NSTAR-COM-GOL-1
Attachment AG-1-37(h)	Exhibit NSTAR-COM-GOL-2
Attachment AG-1-37(i) CONFIDENTIAL	Exhibit NSTAR-COM-GOL-3 CONFIDENTIAL

Attachment AG-1-37(j)
CONFIDENTIAL

Exhibit NSTAR-COM-GOL-4
CONFIDENTIAL

As described in Exhibit NSTAR-GOL at 17-24, the Bellingham Execution Agreement provides for a Closing Payment to be made when the transaction is consummated (see also Petition, Appendix A, at Bates pages 3-4). The Closing Payment is designed, among other things, to provide certain adjustments for market changes that have occurred since the Bid Date on December 3, 2003. The Closing Payment has two components: The first component is the Closing Date Amount, which calculates the difference between what NSTAR Electric actually paid under the existing PPAs and what it would have paid under the Amended and Restated PPAs (Exh. NSTAR-GOL at 17-21; Exh. NSTAR-GOL-3). The second component is the Adjusted Bid Price Amount, which accounts for changes in wholesale energy market prices (Exh. NSTAR-GOL at 18, 21-24; Exh. NSTAR-GOL-4). In accordance with the provisions of Section 5.5(b) of the Bellingham Execution Agreement, there is a \$15 million cap on the amount of adjustment to market prices above or below the mark-to-market price on the Bid Date of \$12.6 million. This means that for maximum credit that would flow to customers for higher natural gas prices under the mark-to-market provisions of the Bellingham Execution Agreement is \$27.6 million.

Because of recent large increases in natural gas prices (see Response to Information Request AG-1-32, Attachment AG-1-32 **CONFIDENTIAL**), the calculated level of the Adjusted Bid Price Amount would far exceed the \$27.6 million limit, which would limit the forecast savings for NSTAR Electric customers. In accordance with the intent of the parties to adjust for market changes since December 3, 2003, they have negotiated the filed First Amendment to the Bellingham Execution Agreement (the "First Amendment") that raises the cap in the adjustment level that can flow in favor of NSTAR Electric customers by over \$52 million to \$80 million from the current \$27.6 million (First Amendment, Paragraphs 2-4, amending Section 5.5(b) of the Bellingham Execution Agreement).

It should be noted that although the overall contract renegotiation with NEA provides significant savings to customers, recent changes in the forecasted market prices results in a substantial reallocation of estimated savings among the various contracts and would produce negative savings for customers of Boston Edison. In order to eliminate the negative impact on customers of Boston Edison, while still leaving significant savings with customers of Commonwealth, the supplemental exhibits have reallocated savings.¹

¹ As similar type of allocation of costs and benefits was originally proposed in D.T.E. 04-61, the MASSPOWER buyout, when the \$20 million in make-whole payments was allocated between the companies as explained in Exhibit NSTAR-GOL on page 18, lines 7 through 11.

The transfer is taken at the same annual percentage of Commonwealth savings and it is shown Attachment AG-1-37(supp.) (j) **CONFIDENTIAL**, page 14 column O, retitled "S.O. and Other adjustment". The transfer is also reflected in Attachment AG-1-37(supp.) (f) **CONFIDENTIAL**, page 7, Column O retitled "Standard Offer Settlement and Other Adjustment". The amounts are equal and the percentage is adjusted to ensure that there is no net negative savings at Boston Edison.

Accordingly, the following attachments incorporate the changes resulting from the amendment to the Bellingham Execution Agreement, as well as the updates for the Fall 2004 Henwood Energy Service Inc.'s Northeast Electricity and Gas Price Outlook and actual information for the months of August, September and October.

Attachment AG-1-37(supp.) (a)	Exhibit NSTAR-GOL-3
Attachment AG-1-37(supp.) (b)	Exhibit NSTAR-GOL-4
Attachment AG-1-37(supp.) (c)	Exhibit NSTAR-BEC-GOL-1
Attachment AG-1-37(supp.) (d)	Exhibit NSTAR-BEC-GOL-2
Attachment AG-1-37(supp.) (e) CONFIDENTIAL	Exhibit NSTAR-BEC-GOL-3 CONFIDENTIAL
Attachment AG-1-37(supp.) (f) CONFIDENTIAL	Exhibit NSTAR-BEC-GOL-4 CONFIDENTIAL
Attachment AG-1-37(supp.) (g)	Exhibit NSTAR-COM-GOL-1
Attachment AG-1-37(supp.) (h)	Exhibit NSTAR-COM-GOL-2
Attachment AG-1-37(supp.) (i) CONFIDENTIAL	Exhibit NSTAR-COM-GOL-3 CONFIDENTIAL
Attachment AG-1-37(supp.) (j) CONFIDENTIAL	Exhibit NSTAR-COM-GOL-4 CONFIDENTIAL

Information Request AG-1-38

Please provide an update to Exhibits NSTAR-RBH-5 and -6 using the Fall 2004 Henwood Energy Service Inc.'s Northeast Electricity and Gas Price Outlook, when it becomes available.

Response

Please see Attachment AG-1-38(a) **CONFIDENTIAL** for an update to Exhibit NSTAR-RBH-5, and Attachment AG-1-38(b) **CONFIDENTIAL** for an update to Exhibit NSTAR-RBH-6 based on the Fall 2004 Henwood Energy Service Inc.'s Northeast Electricity and Gas Price Outlook and the adjusted bid price amount based on the First Amendment of the Bellingham Execution Agreement.

Information Request AG-2-4

Please provide working spreadsheet models of the Company's response to AG-1-37.

Response

The Company has submitted working spreadsheet models of the Company's response to AG-1-37 via email to the Hearing Officer and the Attorney General.

Information Request AG-2-5

Please provide working spreadsheet models of the Company's response to AG-1-38.

Response

The Company has submitted working spreadsheet models of the Company's response to AG-1-38 via email to the Hearing Officer and the Attorney General.